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FISCAL IMPACT STATEMENT

LS 6572

BILL NUMBER: HB 1141

NOTE PREPARED: Feb 21, 2012

BILL AMENDED: Feb 20, 2012

SUBJECT: Home Energy Assistance.

FIRST AUTHOR: Rep. Welch

FIRST SPONSOR: Sen. Kenley

BILL STATUS: As Passed Senate

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill repeals the sales tax exemption for home energy acquired through federal low income home energy assistance block grant program (LIHEAP). It establishes the mortgage foreclosure multistate settlement fund. The bill provides that the fund consists of:

- (1) money that is received by the state under a multistate agreement related to litigation concerning mortgage foreclosure activities and that is designated by the attorney general for deposit in the fund;
- (2) appropriations made to the fund by the general assembly; and
- (3) grants, gifts, and donations intended for deposit in the fund. It specifies that the fund shall be administered by the budget agency, and that money in the fund does not revert to the state general fund.

The bill specifies that an amount equal the state sales tax revenue that is collected as a result of the repeal of the sales tax exemption for home energy acquired through the LIHEAP is to be transferred each year to the LIHEAP to be used for home energy assistance for individuals who own a home.

Effective Date: Upon passage; July 1, 2012.

Explanation of State Expenditures: (Revised) *Department of State Revenue (DOR):* This bill will increase administrative costs for the DOR. The bill requires the DOR to certify to the State Budget Agency and the Auditor of State the additional amount that was collected in the preceding fiscal year from sales tax on home energy acquired through LIHEAP. The DOR's current level of resources should be sufficient.

State Budget Agency: This bill requires the SBA to administer the mortgage foreclosure multistate settlement fund (established in this bill). The SBA's current level of resources is sufficient to implement this provision.

Explanation of State Revenues: (Revised) *Mortgage Foreclosure Multistate Settlement Fund*: This bill establishes the mortgage foreclosure multistate settlement fund. The bill provides that the fund consists of:

- (1) money that is received by the state under a multistate agreement related to litigation concerning mortgage foreclosure activities and that is designated by the Attorney General for deposit in the fund;
- (2) appropriations made to the fund by the general assembly; and
- (3) grants, gifts, and donations intended for deposit in the fund.

The Attorney General reports that the state will receive approximately \$46.8M in settlement payments of which \$45.84 M will be paid to the Attorney General and \$1 M to the Department of Financial Institutions in FY 2012.

The bill specifies that an amount equal the state sales tax revenue that is collected as a result of the repeal of the sales tax exemption for home energy acquired through the LIHEAP is to be transferred each year from the mortgage foreclosure settlement fund to be used for LIHEAP benefits for individuals who own a home. LSA estimates that approximately \$3.7 M to \$4.4 M would be collected each year from the sales tax on LIHEAP. The low estimate assumes total LIHEAP benefits for home energy of \$53 M and the high estimate assumes a total LIHEAP benefit of \$63 M. According to a 2009 National Energy Assistance Survey, 46% of LIHEAP recipients own their home.

It should be noted that the amount of sales tax revenue collected will depend in large part on the federal appropriations for LIHEAP. For FFY 2012 federal appropriations for LIHEAP total \$82.3 M, down from \$107.6 M in FFY 2011. Only the portion of this funding used for home energy benefits is currently subject to Sales Tax. Federal funding for this program in FFY 2013 is unknown. A history of the amount of benefits paid out for home energy assistance over the last six years is included in the *Background* section below.

Background Information -

LIHEAP: Funding for the state's energy assistance program comes from federal sources and dedicated state funds. Since the early 1980s, the federal government has annually appropriated funds to states to provide energy assistance to low-income families. Indiana's program is divided into two components: the Energy Assistance Program (EAP) and the Weatherization Assistance Program (WAP). The program is primarily funded through the federal LIHEAP block grant. The state's energy assistance program provides grants for winter heating assistance and summer cooling assistance.

Indiana's program currently provides assistance to persons below 150% of the federal poverty level. A summary of benefits which would be subject to Sales Tax are as follows:

Fiscal Year	Benefits (in millions)
2012*	\$63.40
2011	\$80.96
2010	\$87.79
2009	\$86.69
2008	\$93.00
2007	\$57.64
*Please note that the benefit amount for FY 2012 is an estimate.	

Mortgage Foreclosure Multistate Settlement: The Mortgage Foreclosure settlement provides approximately \$2.5 billion, to be paid directly to participating states. The Attorney General reports that the Indiana will receive \$46.8M in direct settlement payments. The settlement allows the funds to be used for foreclosure relief and housing programs, including housing counseling, legal assistance, foreclosure prevention hotlines and foreclosure mediation.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR; IHCD;SBA;AG.

Local Agencies Affected:

Information Sources: Mark Wuellner, IHCD; www.liheap.org; Paul Krievins, IHCD ;U.S Department of Health and Human Services, http://www.acf.hhs.gov/news/press/2011/liheap_allocation.html; Attorney General's Office; National Settlement Executive Summary, <http://www.nationalmortgagesettlement.com>; The 2009 National Energy Assistance Survey, National Energy Assistance Director's Association, www.neada.org.

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